

7 BIGGEST BOOKKEEPING MISTAKES ENTREPRENEURS MAKE

AND HOW YOU CAN FIX THEM NOW!!



GENERAL BOOKKEEPING TIPS



BOOKKEEPING

@NaveBookkeepingServices



@NaveBookkeeping



WWW.NAVE-BOOKKEEPING.COM



Hey there Entrepreneurs!!!!

When was the last time you felt good about doing your books--entering the daily transactions, categorizing them and feeling confident that you're doing it right in QuickBooks?

Or are you one of those who goes on YouTube or Tik Tok to see what others are teaching online because it doesn't look so hard and if I can start a company like this, entering things into QuickBooks.....that's easy. Right?

Or when was the last time you pulled a Profit & Loss and feel confident that your numbers are accurate so you can make a sound decision for the next quarter and budget accordingly?

How about Payroll? Do you know if they are set up in QuickBooks as an employee or independent contractor or sub-contractor? What's the difference anyways?

You are not alone. Being a business consultant for 30 years & bookkeeper for the last 5 years, I have worked with many business owners who are in the same boat because they want to protect their money and feel obligated that they should know their financial status at any time.

But let me share with you a secret: ***You don't have to be able to enter receipts into QuickBooks to know your company financials and protect your money.***

In fact, I've discovered that there are 7 most common bookkeeping mistakes that Entrepreneurs make when it comes to their bookkeeping.

Here's the good news! - all these mistakes can be fixed with the right help and guidance so you can save thousands of dollars when tax return season comes around and save yourself hours of watching YouTube or Tik Tok while pulling your hair.

So let's go over the top 7 bookkeeping mistakes Entrepreneurs make when it comes to bookkeeping and how you can fix it.

1. DIY BOOKKEEPING



Entrepreneurs are very independent and that's what makes them great. But when it comes to bookkeeping, it's a whole other ball game. Without a bookkeeping or accounting background, business tax law or tax return knowledge, what seems simple can cost you tenfold both financially and time-wise. And if you have your spouse doing it with the same knowledge background as you in regards to bookkeeping, the problem will now compound over time, potentially leaving a year's worth of books that needs fixing when tax season comes around.

How to fix this:

- ✓ Both you and your spouse can outsource a bookkeeper who can be your checks and balances and also train you to do the day-to-day bookkeeping.
- ✓ Your virtual bookkeeper can reconcile your accounts monthly and giving constant feedback so over time, you will learn the ins and outs of keeping your book clean every day.
- ✓ This will also allow the bookkeeper to be a second eye for the most important part of your business--your financials and both you, your bookkeeper and CPA can work together on how you can grow you company with a financial plan on hand.

2. MIXING SPENDING: BUSINESS & PERSONAL



So you forgot your business bank cards at home but you need gas money to go meet a client and you're paying for lunch to go over a few important things. It may seem like nothing to take out your personal card to cover today's expenses but what if it happens more often enough to create a long term bookkeeping mess? It can even create a legal situation in the event your business gets audited by the IRS or sued.

How to fix this:

- ✓ Do you ever leave your house without your personal credit card or debit card and driver's license? Then, why do it to your business cards? Make it a habit to carry both by making sure you have separate bank accounts for business and personal.
- ✓ If you don't want to carry too many cards, dedicate **ONE** credit card for business transactions only and always carry that around. Maybe label it somehow so you don't get it mixed up with your personal cards like a colored sticker or write in the back in bold black felt pen "**BUSINESS CARD**".
- ✓ Your virtual bookkeeper will make sure that when your monthly reconciliation is done, that the notes on the receipts will match up with the business vs. personal expenses.

3. THROWING AWAY RECEIPTS



This is a big one because we all think we don't need to show proof of purchase until we get audited and get penalized with a big fine. This doesn't have to take hours to do.

How to fix this:

- ✓ If you use QuickBooks Online, it's a snap away with the Capture Feature on your phone.
- ✓ If you use QuickBooks Desktop, you can still use an image to attached it to your transactions by taking a photo of the receipt on your phone, email it to yourself or text it to your virtual bookkeeper. It may take a few more steps than QuickBooks Online but the concept is still the same.
- ✓ Work it out with your virtual bookkeeper on a consistent and easy workflow system to make sure all receipts are attached to each of your business transactions. They don't have to be the original receipts. A digital record is fine.
- ✓ To be compliant and safe, keep receipts for 7 years.

4. INCORRECTLY RECORDING LOAN/CAR PAYMENTS

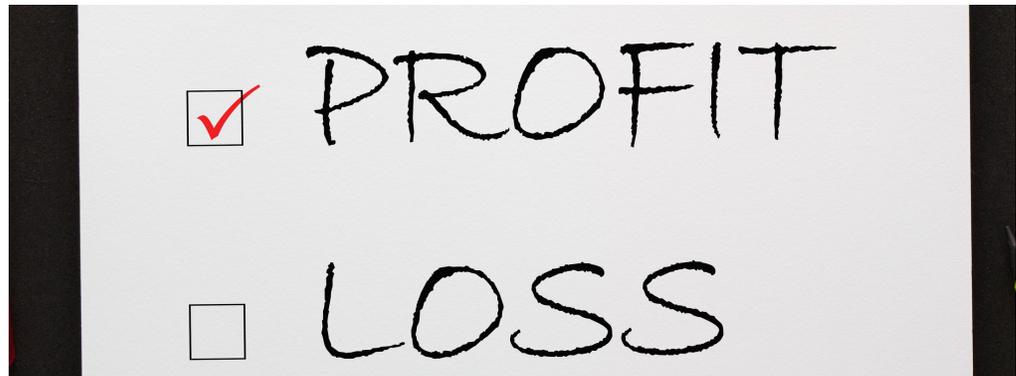


This is another big one that most entrepreneurs need to know how much it messes up the books at the end of the year. Many people enter a business loan as income or a truck loan as an expense because you're buying a car right? Well, these transactions alone will cost you a lot more money than you think when it comes to tax time!!

How to fix this:

- ✓ Call your virtual bookkeeper to tell him/her that you just received a \$35,000 business loan. How you enter this transaction will either make you pay taxes on it (if you enter it as an income, you pay taxes on income) or as a liability (which goes on your bank statement as a business loan).
- ✓ When you purchase a truck with a loan and you also made a down payment in cash, call your virtual bookkeeper and let him/her know that you just bought a truck for the business. This purchase will show up on your Balance Sheet as a Fixed Asset (so it looks good in your Balance Sheet that you own something); the loan will show up as a liability (also on your Balance Sheet), and which year to start the depreciation of the truck; Lastly, the interest of the loan is written off as an expense.
- ✓ The truck or business loan payments each month are also important on how they are recorded on a month to month basis by your virtual bookkeeper. It has to be done where the principle and interest are recorded accordingly so year end, your books has to match your Business Loan Statements or Truck Loan Statements.

5. REPORTING TRANSFERS AS INCOME



This is all about organizing. First of all, if you don't keep track of transfers from one account to the other, you may have to pay more taxes than you want because it will inadvertently be recorded as **INCOME** instead of **TRANSFER**. This will not only affect your taxes but sales numbers will be off.

How to fix this:

- ✓ Work with your virtual bookkeeper to see how you can keep better records of this. It could be as simple as opening a deposit account with the same bank as your expense and check writing account. Most bank statements will show from which account the transfers come in or out of if the transfers are made within the same bank.
- ✓ In QuickBooks, there is a way to enter the transaction as a **TRANSFER** vs. **INCOME DEPOSIT**. Your goal is to keep accurate records for an accurate report of your bottom line and exactly how much you bring in so your Profit and Loss reports are always as accurate as it can be.
- ✓ By opening accounts that has a purpose such as a deposit account, check writing account and expense account, your virtual bookkeeper can make sure all 3 accounts are reconciled each month and ensure such errors doesn't occur.

6. NOT CLASSIFYING EMPLOYEES CORRECTLY



The real question is -- Is that worker you hired an independent contractor, and employee or a sub-contractor? The other question is-- What difference does it make??

It makes a lot of difference. From 1099's filled out vs. W2's vs. proper insurance for worker's compensation insurance to fines and penalties from the IRS and the state worker's compensation agency when legal requirements are not met under certain categories, especially if you are in the construction industry.

The IRS keeps a close eye on this because business owners can get around paying taxes and doing paperwork thinking they can keep their expenses low until the fines kick in. In the long run, if you plan on running your business for a long time, it is not worth the headache and with all the fines and aggravation, the money you thought you are saving turns out to be more expensive, if you really think about it.

How to fix this:

- ✓ Figure out if who you are hiring is an employee or an independent contractor. Talk to your virtual bookkeeper to make sure not only is the information entered into QuickBooks correctly, but they will help you define what your needs are and figure out the difference with you. This will avoid misfiling and overpayment of taxes.
- ✓ If you have employees, you can either go with a payroll company to process all your payroll taxes, process weekly or bi-monthly payroll or your virtual bookkeeper can also process payroll through QuickBooks Online.

7. ACCOUNTABILITY WITH FINANCIAL STATEMENTS



Yes. I know. As an Entrepreneur, you look at all kinds of reports all day! You are in meetings all day! You are on the phone with clients all day!! I get it!

But isn't your business just as important? Can you take a little time each month or each quarter at least to really look at your Financial Statement and see the reality of where your company is at? At the end of the day, it is easier to point fingers at the bookkeeper, the project managers, the office manager, the clients, the banks.....you get my point. At the end of the day, **YOU**, as an Entrepreneur and Business Owner, are responsible for your company's money. You know how they say the eyes are the window to your soul? Well, the Financial Statement is the window into the soul of your business! The sooner you are actively involved in this, the less daunting it is each time you look at it!!!

How to fix this:

- ✓ If you don't know how to read a Financial Statement, that's ok!! Get together with your CPA on a regular basis to learn. I know your Accountant will be thrilled when you ask for his/her help!!! This is the best thing you can do for you and your business!!!
- ✓ If you know what you are looking for in your Financial Statement, it is still a great idea to meet with your virtual bookkeeper monthly or quarterly, as well as your Accountant to make sure everyone understands your financial vision for your company so everyone is on the same page.



These 7 biggest bookkeeping mistakes Entrepreneurs make are fixable but how far are you in the pile of your financial maze? If you feel you can't take on anymore or that you are so far in the maze and you don't know what to do---Well guess what??

There's light at the end of the tunnel. That's exactly what I have been doing for other accounting firms. Yes. Accounting firms in my area refer me clients to help them sort out and entangle up to 5 years of bookkeeping to catch up with their unfiled tax return. They send clients to me during tax return season and ask me to turn it around between 24-48 hours. 90% of the time, if I have everything I need...I can do it with my team. Otherwise, I turn it around as quickly as the business owner provides me what I need.

I would like to leave you with this quote:

Visit my website at:

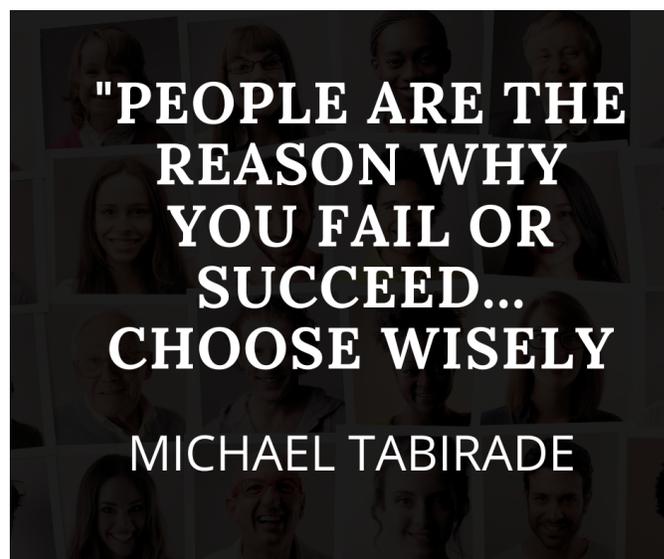
<https://www.nave-bookkeeping.com/>

Or Facebook page at:

<https://www.facebook.com/NaveBookkeeping>.

Or Email me at:

Ritah@Nave-Bookkeeping.com



I would be happy to give you a free 30 minute meeting to look into your books or answer any questions to help you move forward and gain back your momentum.

I look forward to hearing from you!!

Rita Hoang-Founder of Nave-Bookkeeping, LLC